



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Jesus A. Garcia, Chairman
Brookhaven Town Republican Committee
1980 Route 112, Suite A
Coram, NY 11727

NOV 27 2018

RE: MUR 6848

Dear Mr. Garcia:

This is in reference to the complaint you filed with the Federal Election Commission (the "Commission") on June 25, 2014, against George Demos, Friends of George Demos, Angelo Tsakopoulos, and AKT Development Corporation. Based on the complaint, the Commission found that there was reason to believe that George Demos violated 52 U.S.C. § 30116(f), that Angelo Tsakopoulos violated 52 U.S.C. § 30116(a)(1)(A), and that Friends of George Demos and Robert Cole in his official capacity as treasurer, violated 52 U.S.C. §§ 30104(b) and 30116(f), provisions of the Federal Election Campaign Act of 1971, as amended and commenced an investigation in the matter.

After an investigation was conducted, the Commission also found that there was reason to believe that Chrysanthy T. Demos violated 52 U.S.C. § 30116(a)(1)(A), took no further as to Angelo Tsakopoulos, and found no reason to believe that AKT Development Corporation violated 52 U.S.C. § 30118.

Subsequently, on November 15, 2018, the Commission considered the General Counsel's and the respondents' briefs but was equally divided over whether to find probable cause to believe that respondents violated 52 U.S.C. §§ 30104(b) and 30116. Accordingly, the Commission closed the file in this matter.

Documents related to the case will be placed on the public record within 30 days. *See* Disclosure of Certain Documents in Enforcement and Other Matters, 81 Fed. Reg. 50,702 (Aug. 2, 2016). Factual and Legal Analyses, which more fully explain the Commission's reason to believe findings, are enclosed for your information. A Statement of Reasons explaining the Commission's decision will follow. The Federal Election Campaign Act of 1971, as amended, allows a complainant to seek judicial review of the Commission's dismissal of this action. *See* 52 U.S.C. § 30109(a)(8).

Jesus A. Garcia
Page 2

If you have any questions, please contact Ana Peña-Wallace, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,

Lu T

Lynn Y. Tran
Assistant General Counsel

Enclosures
Factual and Legal Analyses (5)

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1 **FEDERAL ELECTION COMMISSION**

2 **FACTUAL AND LEGAL ANALYSIS**

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5 **RESPONDENT:** George Demos **MUR 6848**

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8 **I. INTRODUCTION**

9 This matter was generated by a Complaint filed with the Federal Election Commission
10 (the "Commission") alleging violations of the Federal Election Campaign Act of 1971, as
11 amended, (the "Act")¹ by House candidate George Demos. The Complaint alleges that Demos
12 had insufficient personal assets to fund \$2 million in loans that he reported making to his
13 campaign committee, Friends of George Demos (the "Committee"), during the 2014 election
14 cycle. It further alleges that Demos obtained the funds for the loans from his father-in-law,
15 Angelo Tsakopoulos. The Complaint relies significantly on a December 2013 meeting between
16 the Complainant and Demos during which Demos purportedly acknowledged receiving the
17 contribution from Tsakopoulos. The Respondent denies the allegations and explains that the
18 funds came from joint bank accounts that Demos held with his wife, Chrysanthi Tsakopoulos
19 Demos, Tsakopoulos's daughter, but he does not provide details regarding the source of the
20 funds in those accounts.

21 Based on the record before the Commission, it appears that the money Demos used to
22 fund the loans to the Committee may not have come from his personal funds. Thus, the
23 Commission finds reason to believe that Demos accepted excessive contributions in violation of
24 52 U.S.C. § 30116(f) (formerly 2 U.S.C. § 441a(f)).

1

On September 1, 2014, the Act was transferred from Title 2 to new Title 52 of the United States Code.

II. FACTUAL AND LEGAL ANALYSIS

A. Factual Background

George Demos was a candidate for the U.S. House of Representatives in the 2014 Republican primary election for New York's 1st Congressional District. The Commission received his Statement of Candidacy on September 26, 2013. He lost the June 24, 2014 primary election.² Demos also ran for the same House seat in 2010 and 2012.³ From 2002 through 2009, Demos worked as an Enforcement Attorney for the Securities and Exchange Commission ("SEC").⁴

Demos filed Financial Disclosure Statements with the Office of the Clerk of the U.S. House of Representatives ("Financial Statements") for both the 2012 and 2014 elections. In 2012, prior to his marriage to Chrysanthi Tsakopoulos, Demos's largest reported asset was valued between \$100,001 and \$250,000, and he valued each of his other assets at \$50,000 or less.⁵ The Financial Statements he filed for the 2014 election list two bank accounts, held jointly with his wife, each valued between \$1,000,001 and \$5,000,000.⁶ The statements indicate that the remaining high-value assets listed belonged to his wife individually.⁷ Demos listed no

² See NYS Board of Elections Representative in Congress Election Returns June 24, 2014, <http://www.elections.ny.gov/NYSBOE/elections/2014/Primary/2014FederalPrimaryResults.pdf>.

³ See George Demos, Statement of Candidacy (Oct. 13, 2009), <http://docquery.fec.gov/pdf/288/29030171288/29030171288.pdf>; George Demos, Statement of Candidacy (Aug. 8, 2011), <http://docquery.fec.gov/pdf/802/11030651802/11030651802.pdf>.

⁴ See Resp. at 2; *Meet George Demos: A Biography*, GEORGE DEMOS FOR CONGRESS WEBSITE, http://www.georgedemosforcongress.com/refresh/templates/meet_george.php?id=5.

⁵ George Demos, 2012 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2012/8209315.pdf.

⁶ George Demos, 2013 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2013/8213601.pdf; George Demos, 2014 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2014/8216007.pdf.

⁷ *Id.*

1 employment or earned income for himself on the Financial Statements he filed for either the
2 2012 or 2014 election cycles.⁸

3 The Committee disclosed four candidate loans during the 2014 election cycle: a
4 \$1,000,000 loan made on September 27, 2013, a \$1,000,000 loan made on December 30, 2013,
5 and two \$250,000 loans made on June 23, 2014, the day before the primary. The Committee
6 disclosed the loans on its 2013 October Quarterly, 2013 Year-End, and 2014 July Quarterly
7 reports, respectively.⁹

8 At issue is the source of the funds Demos loaned to the Committee.¹⁰ The Complaint
9 alleges that Tsakopoulos and his company, AKT, were the true sources of the loans to the
10 Committee and, consequently, Demos received excessive contributions from Tsakopoulos and
11 possibly a prohibited corporate contribution from AKT.¹¹

12 Tsakopoulos is a real estate developer in California and frequent contributor to political
13 campaigns.¹² According to the Commission's records, Tsakopoulos has contributed \$489,283 to
14 federal political committees, made \$40,150 in joint fundraising contributions, and provided

⁸ The Financial Statements that Demos filed in December 2013 and July 2014 list income for his spouse in the amounts of \$24,000 and \$11,500, respectively. The income is shown as salary from AKT. *See* George Demos, 2013 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2013/8213601.pdf; George Demos, 2014 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2014/8216007.pdf.

⁹ *See* Committee, 2013 October Quarterly Report, <http://docquery.fec.gov/pdf/633/13941680633/13941680633.pdf#navpanes=0>; Committee, 2013 Year-End Report, <http://docquery.fec.gov/pdf/246/14960886246/14960886246.pdf#navpanes=0>; Committee, 2014 July Quarterly Report, <http://docquery.fec.gov/pdf/602/14952617602/14952617602.pdf#navpanes=0>.

¹⁰ The Complaint only questions the two \$1 million loans, presumably because Demos made the two \$250,000 loans after the Complaint's filing.

¹¹ Compl. at 1-2.

¹² *See id.*

1 \$1,564,800 in non-federal receipts "exempt from limits" (i.e., soft money).¹³ He is also the
2 registered agent for AKT, a California corporation.¹⁴

3 The Complaint primarily relies on a description of a meeting between the Complainant
4 and Demos that took place on December 14, 2013, during which Demos allegedly stated that
5 (1) he was "bringing a substantial sum of money to his campaign through his father-in-law;"
6 (2) Tsakopoulos "had committed to give him a total of \$2,000,000 to wage a primary election for
7 the Congressional seat and that he would show that money in his FEC report;" and (3) his father
8 in-law would give additional money for the general election.¹⁵ The Complainant, who is the
9 Chairman of the Brookhaven Town Republican Committee, states that he attended the meeting
10 along with Betty Manzella, his Vice Chair, and he personally heard Demos make these
11 statements.¹⁶ The Complaint also relies on Demos's purported lack of income; it alleges that
12 Demos was unemployed when he became a candidate, and his last full-time employment was as
13 an attorney for the SEC in 2009.¹⁷ The Complaint also cites to a number of news articles
14 reporting that Demos's father-in-law was the actual source of the \$2,000,000.¹⁸

15 The Respondent denies the allegations and argues that the Complaint is speculative, the
16 Complainant is ignorant of Demos's employment history since he left the SEC, and the

¹³ See FEC, Individual Contributor Search Form, <http://www.fec.gov/finance/disclosure/norindsea.shtml>. An additional \$7,000 in contributions to political committees also appears in the Commission database under an alternate spelling of his last name.

¹⁴ See *Business Entity Detail: AKT Development Corporation*, CALIFORNIA SECRETARY OF STATE, <http://kepler.sos.ca.gov/>. The Complaint implies AKT was involved because Demos mailed the Committee's Statement of Organization from AKT's business offices in California. See Compl. at 1; Committee Statement of Organization, <http://docquery.fec.gov/pdf/504/13031120504/13031120504.pdf>. (showing return address on UPS mailing envelope to be the same as AKT's offices).

¹⁵ Compl. at 2.

¹⁶ *Id.*

¹⁷ *Id.* at 1.

¹⁸ *Id.* at 2 and Attach.

1 Complaint relies on unsourced press articles. Respondent also disputes the Complainant's
2 recollection of his meeting with Demos six months earlier.¹⁹ The Response highlights one of the
3 articles attached to the Complaint, which quotes Demos as stating that the money was his: "[m]y
4 wife and I have assets, my campaign is funded with our own money."²⁰ The Response questions
5 the Complainant's "hazy recollection" of the December 2013 meeting with Demos, calling it
6 "muddled and wrong," but does not present a different version of what happened at the
7 meeting.²¹ Demos further claims that the Complaint was politically motivated because it was
8 mailed shortly before the June 2014 primary.²²

9 In the Response, and in a declaration signed by Demos, Respondent states that the funds
10 were not from Demos's father in-law, but rather from assets that Demos "owned with [his] wife
11 before declaring [himself] a candidate and were not gifts, loans or donations to [Demos] by Mr.
12 Angelo Tsakopoulos."²³ The Response further states that the "funds [were] derived from Mrs.
13 Demos'[s] investment assets."²⁴ The Response does not state whether Demos's wife received
14 any funds from her father during the campaign period. The Respondent also questions the
15 ongoing viability of restrictions on family gifts.²⁵

¹⁹ Resp. at 2-4.

²⁰ *Id.* at 3.

²¹ *Id.* at 4-5.

²² *Id.* at 4. It appears that on June 23, 2014, the Complainant issued a press release about the Complaint, which the local press reported, sent a letter to members of the local Republican Party committee, and posted a message on the Brookhaven Town Republican Committee Facebook page. *Id.* at Exs. 1-4.

²³ Demos Decl. ¶ 6.

²⁴ Resp. at 5.

²⁵ *Id.* at 5 n.2

1 According to the Commission's records, Tsakopoulos contributed \$2,600 to the
2 Committee for both the primary and general elections. There is no information in the record
3 indicating whether Tsakopoulos gave his daughter money during the campaign period.

4 **B. Legal Analysis**

5 In 2014, the Act prohibited persons from making contributions to any candidate and his
6 or her authorized political committee with respect to any election for federal office which, in the
7 aggregate, exceeded \$2,600.²⁶ The term "contribution" includes "any gift, subscription, loan,
8 advance, or deposit of money or anything of value made by any person for the purpose of
9 influencing any election for Federal office."²⁷ Corporations are prohibited from making a
10 contribution in connection with any federal election.²⁸

11 All contributions made by persons other than political committees must be reported in
12 accordance with 52 U.S.C. § 30104(b)(2)(A) (formerly 2 U.S.C. § 434(b)(2)(A)). Political
13 committees must report the identification of each person who makes a contribution or
14 contributions with an aggregate value in excess of \$200 during the reporting period, together
15 with the date and amount.²⁹

16 Federal candidates may make unlimited contributions from their "personal funds" to their
17 campaigns.³⁰ "Personal funds" of a candidate means the sum of all of the following: (a) assets;

²⁶ 52 U.S.C. § 30116(a)(1)(A); *see* 11 C.F.R. §§ 110.1(b)(1)(i), 110.17(b).

²⁷ *Id.* § 30101(8)(A)(i).

²⁸ *Id.* § 30118 (formerly 2 U.S.C. § 441b(a)).

²⁹ *Id.* § 30104(b)(3)(A) (formerly 2 U.S.C. § 434(b)(3)(A)).

³⁰ 11 C.F.R. § 110.10.

1 (b) income; and (c) jointly owned assets.³¹ A candidate's assets are amounts derived from any
2 asset that, under applicable state law, at the time the individual became a candidate, the candidate
3 had legal right of access to or control over, and with respect to which the candidate had legal and
4 rightful title or an equitable interest.³² A candidate's jointly owned assets are amounts derived
5 from a portion of assets that are owned jointly by the candidate and the candidate's spouse as
6 follows: the portion of assets that is equal to the candidate's share of the asset under the
7 instrument of ownership or conveyance; or if no specific share is indicated by an instrument of
8 ownership or conveyance, the value of one-half of the property.³³

9 Although federal candidates may contribute unlimited personal funds to their campaigns,
10 their family members are subject to the Act's contribution limits.³⁴ The Commission has
11 enforced the contribution limit against family members who made excessive contributions to the
12 candidate's campaign in the form of asset transfers to the candidate.³⁵

³¹ *Id.* § 100.33. A candidate's income consists of income received during the current election cycle, of the candidate, including: salary and other earned income that the candidate earns from bona fide employment; income from the candidate's stocks or other investments including interest, dividends, or proceeds from the sale or liquidation of such stocks or investments; bequests to the candidate; income from trusts established before the beginning of the election cycle; income from trusts established by bequest after the beginning of the election cycle of which the candidate is the beneficiary; gifts of a personal nature that had been customarily received by the candidate prior to the beginning of the election cycle; and proceeds from lotteries and similar games of chance. *Id.* § 100.33(b).

³² *Id.* § 100.33(a).

³³ *Id.* § 100.33(c).

³⁴ The United States Supreme Court has upheld the constitutionality of the Act's contribution limits as applied to members of a candidate's family. *See Buckley v. Valeo*, 424 U.S. 1, 53 n.59 ("Although the risk of improper influence is somewhat diminished in the case of large contributions from immediate family members, we cannot say that the danger is sufficiently reduced to bar Congress from subjecting family members to the same limitations as nonfamily members.").

³⁵ *See, e.g.*, MUR 6417 (Huffman) (finding reason to believe a candidate and his spouse violated 52 U.S.C. § 30116(a) and (f) by transferring \$900,000 from the spouse's separately-held trust account to the couple's joint account to be loaned to the candidate's campaign and transferring \$400,000 from the spouse's separately-held trust account directly to the candidate's campaign); MUR 5334 (O'Grady) (finding reason to believe a candidate and her spouse violated 52 U.S.C. § 30116(a) and (f) by making and accepting a \$25,000 loan from the spouse's separate business account).

1 The facts in the sworn Complaint support finding reason to believe that the money
2 Demos loaned his Committee did not come from his personal funds. Complainant gives a
3 specific account, under penalty of perjury, of a meeting he personally attended at which Demos
4 purportedly acknowledged that Tsakopoulos was providing Demos with \$2 million for his
5 campaign.³⁶ If this account is true, then it would appear that the funds Demos loaned to his
6 campaign did not qualify as his personal funds under 11 C.F.R. § 100.33 because the funds were
7 not gifts from Tsakopoulos customarily given. Instead, it appears that the funds were excessive
8 contributions to Demos to be used in his campaign. The Response challenges Complainant's
9 recollection of the December 2013 meeting, but does not present an alternate version of events.

10 Further, the sworn declaration submitted by Demos generally denying that Tsakopoulos
11 gave Demos or the Committee more than \$5,200 is not dispositive. Demos stated that the loans
12 came from assets he owned with his wife before he became a candidate and he received no
13 "gifts, loans or donations" from Tsakopoulos.³⁷ This declaration, however, does not rule out
14 another possible scenario: Tsakopoulos gave his daughter money to be used for her husband's
15 campaign. Similarly, Demos's general statements quoted in the media that the money belonged

³⁶ Compl. at 2.

³⁷ Demos Decl. ¶ 6.

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1 either to him, or to him and his wife, do not persuasively rebut the Complaint's allegations.³⁸

2 And we do not have any information concerning any pattern of gift-giving at this stage.³⁹

3 Demos's Financial Disclosure Statements for the 2014 election cycle also do not resolve
4 the material issues. The statements disclose no employment or earned income for Demos. They
5 do show two joint bank accounts from which Demos could have funded the loans. Each account
6 had a value between \$1,000,001 and \$5,000,000, of which Demos's portion could have been
7 sufficient to fund the \$2.5 million in loans that he made to his campaign.⁴⁰ However, the
8 Complainant has sworn under penalty of perjury that Demos told him Tsakopoulos would give
9 him at least \$2 million to fund his campaign. The remaining significant assets disclosed on
10 Demos's financial disclosure statements appear to be stocks and investments his wife owned
11 individually.

12 In summary, the Complainant's sworn statement that Demos told him that Demos would
13 receive \$2 million through his father-in-law for his campaign and the careful wording of the
14 Respondent's sworn declaration support a reason-to-believe finding that the money Demos
15 loaned his campaign may not have come from his personal funds.

16 Accordingly, the Commission finds there is reason to believe that George Demos violated
17 52 U.S.C. § 30116(f) (formerly 2 U.S.C. § 441a(f)).

³⁸ See Compl., Attach. The Commission has found no reason to believe concerning allegations that a candidate lacked sufficient personal funds to make loans to his or her campaign committee where there was information, such as in the form of affidavits or financial documentation, demonstrating that the candidate had access to sufficient personal funds to make the loans at issue. See e.g., MUR 6523 (Wilford R. Cardon, *et al.*), MUR 6412 (Blumenthal for Senate), MUR 6388 (Mattie Fein for Congress), MUR 6341 (Adams for Congress).

³⁹ In cases involving gifts from family members, the Commission has examined whether the money was given as part of an established pattern of gift-giving, or whether the gift was made for the purpose of influencing an election. See, e.g., MUR 6417 (Jim Huffman for Senate), MUR 5724 (Jim Feldkamp for Congress), and MUR 5571 (Tananoka for Congress). Here, there is no available information at this stage to determine whether Tsakopoulos gave his daughter any gifts during the 2014 election cycle or whether there was an established pattern of gift-giving between Tsakopoulos and his daughter.

⁴⁰ 11 C.F.R. § 100.33(c).

FACTUAL AND LEGAL ANALYSIS

I. INTRODUCTION

Based on the record before the Commission, it appears that the money Demos used to fund the loans to his Committee may not have come from his personal funds. Thus, the Commission finds reason to believe that the Committee accepted, and failed to disclose, excessive contributions excessive contributions in violation of 52 U.S.C. §§ 30104(b) and 30116(f) (formerly 2 U.S.C. §§ 434(b) and 441a(f)).

On September 1, 2014, the Act was transferred from Title 2 to new Title 52 of the United States Code.

II. FACTUAL AND LEGAL ANALYSIS

A. Factual Background

George Demos was a candidate for the U.S. House of Representatives in the 2014 Republican primary election for New York's 1st Congressional District. The Commission received his Statement of Candidacy on September 26, 2013. He lost the June 24, 2014 primary election.² Demos also ran for the same House seat in 2010 and 2012.³ From 2002 through 2009, Demos worked as an Enforcement Attorney for the Securities and Exchange Commission ("SEC").⁴

Demos filed Financial Disclosure Statements with the Office of the Clerk of the U.S. House of Representatives ("Financial Statements") for both the 2012 and 2014 elections. In 2012, prior to his marriage with Chrysanthi Tsakopoulos, Demos's largest reported asset was valued between \$100,001 and \$250,000, and he valued each of his other assets at \$50,000 or less.⁵ The Financial Statements he filed for the 2014 election list two bank accounts, held jointly with his wife, each valued between \$1,000,001 and \$5,000,000.⁶ The statements indicate that the remaining high-value assets listed belonged to his wife individually.⁷ Demos listed no

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6 disclosed the loans on its 2013 October Quarterly, 2013 Year-End, and 2014 July Quarterly
7 reports, respectively.⁹

8 At issue is the source of the funds Demos loaned to the Committee.¹⁰ The Complaint
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10 Committee and, consequently, Demos received excessive contributions from Tsakopoulos and
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7 the Congressional seat and that he would show that money in his FEC report;" and (3) his father
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11 statements.¹⁶ The Complaint also relies on Demos's purported lack of income; it alleges that
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¹⁴ See *Business Entity Detail: AKT Development Corporation*, CALIFORNIA SECRETARY OF STATE, <http://keplr.sos.ca.gov/>. The Complaint implies AKT was involved because Demos mailed the Committee's Statement of Organization from AKT's business offices in California: See Compl. at 1; Committee Statement of Organization, <http://docquery.fec.gov/pdf/504/13031120504/13031120504.pdf>. (showing return address on UPS mailing envelope to be the same as AKT's offices).

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1 Complaint relies on unsourced press articles. Respondent also disputes the Complainant's
2 recollection of his meeting with Demos six months earlier.¹⁹ The Response highlights one of the
3 articles attached to the Complaint, which quotes Demos as stating that the money was his: "[m]y
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5 the Complainant's "hazy recollection" of the December 2013 meeting with Demos, calling it
6 "muddled and wrong," but it does not present a different version of what happened at the
7 meeting.²¹ The Respondent further claims that the Complaint was politically motivated because
8 it was mailed shortly before the June 2014 primary.²²

9 In the Response, the Committee states that the funds were not from Demos's father in-
10 law, but rather from assets that Demos owned with his wife and that the "funds [were] derived
11 from Mrs. Demos'[s] investment assets."²³ The Response does not state whether Demos's wife
12 received any funds from her father during the campaign period. The Respondent also questions
13 the ongoing viability of restrictions on family gifts.²⁴

14 According to the Commission's records, Tsakopoulos contributed \$2,600 to the
15 Committee for both the primary and general elections. There is no information in the record
16 indicating whether Tsakopoulos gave his daughter money during the campaign period.

¹⁹ Resp. at 2-4.

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²² *Id.* at 4. It appears that on June 23, 2014, the Complainant issued a press release about the Complaint, which the local press reported, sent a letter to members of the local Republican Party committee, and posted a message on the Brookhaven Town Republican Committee Facebook page. *Id.* at Exs. 1-4.

²³ Resp. at 5.

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B. Legal Analysis

In 2014, the Act prohibited persons from making contributions to any candidate and his or her authorized political committee with respect to any election for federal office which, in the aggregate, exceeded \$2,600.²⁵ The term "contribution" includes "any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office."²⁶ Corporations are prohibited from making a contribution in connection with any federal election.²⁷

All contributions made by persons other than political committees must be reported in accordance with 52 U.S.C. § 30104(b)(2)(A) (formerly 2 U.S.C. § 434(b)(2)(A)). Political committees must report the identification of each person who makes a contribution or contributions with an aggregate value in excess of \$200 during the reporting period, together with the date and amount.²⁸

Federal candidates may make unlimited contributions from their "personal funds" to their campaigns.²⁹ "Personal funds" of a candidate means the sum of all of the following: (a) assets;

²⁵ 52 U.S.C. § 30116(a)(1)(A); *see* 11 C.F.R. §§ 110.1(b)(1)(i), 110.17(b).

²⁶ *Id.* § 30101(8)(A)(i).

²⁷ *Id.* § 30118 (formerly 2 U.S.C. § 441b(a)).

²⁸ *Id.* § 30104(b)(3)(A) (formerly 2 U.S.C. § 434(b)(3)(A)).

²⁹ 11 C.F.R. § 110.10.

1 (b) income; and (c) jointly owned assets.³⁰ A candidate's assets are amounts derived from any
2 asset that, under applicable state law, at the time the individual became a candidate, the candidate
3 had legal right of access to or control over, and with respect to which the candidate had legal and
4 rightful title or an equitable interest.³¹ A candidate's jointly owned assets are amounts derived
5 from a portion of assets that are owned jointly by the candidate and the candidate's spouse as
6 follows: the portion of assets that is equal to the candidate's share of the asset under the
7 instrument of ownership or conveyance; or if no specific share is indicated by an instrument of
8 ownership or conveyance, the value of one-half of the property.³²

9 Although federal candidates may contribute unlimited personal funds to their campaigns,
10 their family members are subject to the Act's contribution limits.³³ The Commission has
11 enforced the contribution limit against family members who made excessive contributions to the
12 candidate's campaign in the form of asset transfers to the candidate.³⁴

³⁰ *Id.* § 100.33. A candidate's income consists of income received during the current election cycle, of the candidate, including: salary and other earned income that the candidate earns from bona fide employment; income from the candidate's stocks or other investments including interest, dividends, or proceeds from the sale or liquidation of such stocks or investments; bequests to the candidate; income from trusts established before the beginning of the election cycle; income from trusts established by bequest after the beginning of the election cycle of which the candidate is the beneficiary; gifts of a personal nature that had been customarily received by the candidate prior to the beginning of the election cycle; and proceeds from lotteries and similar games of chance. *Id.* § 100.33(b).

³¹ *Id.* § 100.33(a).

³² *Id.* § 100.33(c).

³³ The United States Supreme Court has upheld the constitutionality of the Act's contribution limits as applied to members of a candidate's family. *See Buckley v. Valeo*, 424 U.S. 1, 53 n.59 ("Although the risk of improper influence is somewhat diminished in the case of large contributions from immediate family members, we cannot say that the danger is sufficiently reduced to bar Congress from subjecting family members to the same limitations as nonfamily members.").

³⁴ *See, e.g.*, MUR 6417 (Huffman) (finding reason to believe a candidate and his spouse violated 52 U.S.C. § 30116(a) and (f) by transferring \$900,000 from the spouse's separately-held trust account to the couple's joint account to be loaned to the candidate's campaign and transferring \$400,000 from the spouse's separately-held trust account directly to the candidate's campaign); MUR 5334 (O'Grady) (finding reason to believe a candidate and her spouse violated 52 U.S.C. § 30116(a) and (f) by making and accepting a \$25,000 loan from the spouse's separate business account).

1 The facts in the sworn Complaint support finding reason to believe that the money
2 Demos loaned his Committee did not come from his personal funds. Complainant gives a
3 specific account, under penalty of perjury, of a meeting he personally attended at which Demos
4 purportedly acknowledged that his father-in-law was providing him with \$2 million for his
5 campaign.³⁵ If this account is true, then it would appear that the funds Demos loaned to his
6 campaign did not qualify as his personal funds under 11 C.F.R. § 100.33 because the funds were
7 not gifts from Tsakopoulos customarily given. Instead, it appears that the funds were excessive
8 contributions to Demos to be used in his campaign. The Response challenges Complainant's
9 recollection of the December 2013 meeting, but it does not present an alternate version of events.

10 Further, the sworn declarations submitted by Demos and Tsakopoulos generally denying
11 that Tsakopoulos gave Demos or the Committee more than \$5,200 is not dispositive as it does
12 not rule out another possible scenario: that Tsakopoulos gave his daughter money to be used for
13 her husband's campaign. Similarly, Demos's general statements quoted in the media that the
14 money belonged either to him, or to him and his wife, do not persuasively rebut the Complaint's
15 allegations.³⁶ And we do not have any information concerning any pattern of gift-giving at this
16 stage.³⁷

³⁵ Compl. at 2.

³⁶ See Compl., Attach. The Commission has found no reason to believe concerning allegations that a candidate lacked sufficient personal funds to make loans to his or her campaign committee where there was information, such as in the form of affidavits or financial documentation, demonstrating that the candidate had access to sufficient personal funds to make the loans at issue. See e.g., MUR 6523 (Wilford R. Cardon, *et al.*), MUR 6412 (Blumenthal for Senate), MUR 6388 (Mattie Fein for Congress), MUR 6341 (Adams for Congress).

³⁷ In cases involving gifts from family members, the Commission has examined whether the money was given as part of an established pattern of gift-giving, or whether the gift was made for the purpose of influencing an election. See, e.g., MUR 6417 (Jim Huffman for Senate), MUR 5724 (Jim Feldkamp for Congress), and MUR 5571 (Tananoka for Congress). Here, there is no available information at this stage to determine whether Tsakopoulos gave his daughter any gifts during the 2014 election cycle or whether there was an established pattern of gift-giving between Tsakopoulos and his daughter.

1 Demos's Financial Disclosure Statements for the 2014 election cycle also do not resolve
2 the material issues. The statements disclose no employment or earned income for Demos. They
3 do show two joint bank accounts from which Demos could have funded the loans. Each account
4 had a value between \$1,000,001 and \$5,000,000, of which Demos's portion could have been
5 sufficient to fund the \$2.5 million in loans that he made to his campaign.³⁸ However, the
6 Complainant has sworn under penalty of perjury that Demos told him Tsakopoulos would give
7 him at least \$2 million to fund his campaign. The remaining significant assets disclosed on
8 Demos's financial disclosure statements appear to be stocks and investments his wife owned
9 individually.

10 In summary, the Complainant's sworn statement that Demos told him that Demos would
11 receive \$2 million through his father-in-law for his campaign and the careful wording of the
12 Respondents' sworn declarations support a reason-to-believe finding that the money Demos
13 loaned his campaign may not have come from his personal funds.

14 Accordingly, the Commission finds there is reason to believe that the Friends of George
15 Demos and Robert Cole in his official capacity as treasurer violated 52 U.S.C. §§ 30104(b) and
16 30116(f) (formerly 2 U.S.C. §§ 434(b) and 441a(f)).

³⁸ 11 C.F.R. § 100.33(c).

1 **FEDERAL ELECTION COMMISSION**

2
3 **FACTUAL AND LEGAL ANALYSIS**

4
5 **RESPONDENT:** Angelo Tsakopoulos

MUR 6848

6
7
8 **I. INTRODUCTION**

9 This matter was generated by a Complaint filed with the Federal Election Commission
10 (the "Commission") alleging violations of the Federal Election Campaign Act of 1971, as
11 amended, (the "Act")¹ by Angelo Tsakopoulos concerning contributions made to House
12 candidate George Demos. The Complaint alleges that Demos had insufficient personal assets to
13 fund \$2 million in loans that he reported making to his campaign committee, Friends of George
14 Demos (the "Committee"), during the 2014 election cycle. It further alleges that Demos
15 obtained the funds for the loans from Tsakopoulos, who is his father-in-law. The Complaint
16 relies significantly on a December 2013 meeting between the Complainant and Demos during
17 which Demos purportedly acknowledged receiving the contribution from Tsakopoulos. The
18 Complaint also alleges that the funds may have come from Tsakopoulos's business, AKT
19 Development Corporation ("AKT"). The Respondent denies the allegations.

20 Based on the record before the Commission, it appears that the money Demos used to
21 fund the loans to his Committee may not have come from his personal funds, but instead may
22 have been provided by Tsakopoulos. Thus, the Commission finds reason to believe that
23 Tsakopoulos made excessive contributions to the Demos campaign, in violation of 52 U.S.C.
24 § 30116(a)(1)(A) (formerly 2 U.S.C. § 441a(a)(1)(A)).

¹ On September 1, 2014, the Act was transferred from Title 2 to new Title 52 of the United States Code.

II. FACTUAL AND LEGAL ANALYSIS

A. Factual Background

George Demos was a candidate for the U.S. House of Representatives in the 2014 Republican primary election for New York's 1st Congressional District. The Commission received his Statement of Candidacy on September 26, 2013. He lost the June 24, 2014 primary election.² Demos also ran for the same House seat in 2010 and 2012.³ From 2002 through 2009, Demos worked as an Enforcement Attorney for the Securities and Exchange Commission ("SEC").⁴

Demos filed Financial Disclosure Statements with the Office of the Clerk of the U.S. House of Representatives ("Financial Statements") for both the 2012 and 2014 elections. In 2012, prior to his marriage to Chrysanthy Tsakopoulos, Demos's largest reported asset was valued between \$100,001 and \$250,000, and he valued each of his other assets at \$50,000 or less.⁵ The Financial Statements he filed for the 2014 election list two bank accounts, held jointly with his wife, each valued between \$1,000,001 and \$5,000,000.⁶ The statements indicate that the remaining high-value assets listed belonged to his wife individually.⁷ Demos listed no

² See NYS Board of Elections Representative in Congress Election Returns June 24, 2014, <http://www.elections.ny.gov/NYSBOE/elections/2014/Primary/2014FederalPrimaryResults.pdf>.

³ See George Demos, Statement of Candidacy (Oct. 13, 2009), <http://docquery.fec.gov/pdf/288/29030171288/29030171288.pdf>; George Demos, Statement of Candidacy (Aug. 8, 2011), <http://docquery.fec.gov/pdf/802/11030651802/11030651802.pdf>.

⁴ See *Meet George Demos: A Biography*, GEORGE DEMOS FOR CONGRESS WEBSITE, http://www.georgedemosforcongress.com/refresh/templates/meet_george.php?id=5.

⁵ George Demos, 2012 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2012/8209315.pdf.

⁶ George Demos, 2013 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2013/8213601.pdf; George Demos, 2014 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2014/8216007.pdf.

⁷ *Id.*

1 employment or earned income for himself on the Financial Statements he filed for either the
2 2012 or 2014 election cycles.⁸

3 The Committee disclosed four candidate loans during the 2014 election cycle: a
4 \$1,000,000 loan made on September 27, 2013, a \$1,000,000 loan made on December 30, 2013,
5 and two \$250,000 loans made on June 23, 2014, the day before the primary. The Committee
6 disclosed the loans on its 2013 October Quarterly, 2013 Year-End, and 2014 July Quarterly
7 reports, respectively.⁹

8 At issue is the source of the funds Demos loaned to the Committee.¹⁰ The Complaint
9 alleges that Tsakopoulos and his company, AKT, were the true sources of the loans to the
10 Committee and consequently, Demos and the Committee received excessive contributions from
11 Tsakopoulos and possibly a prohibited corporate contribution from AKT.¹¹

12 Tsakopoulos is a real estate developer in California and frequent contributor to political
13 campaigns.¹² According to the Commission's records, Tsakopoulos has contributed \$489,283 to
14 federal political committees, made \$40,150 in joint fundraising contributions, and provided

⁸ The Financial Statements that Demos filed in December 2013 and July 2014 list income for his spouse in the amounts of \$24,000 and \$11,500, respectively. The income is shown as salary from AKT. *See* George Demos, 2013 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2013/8213601.pdf; George Demos, 2014 Financial Disclosure Statement, http://clerk.house.gov/public_disc/financial-pdfs/2014/8216007.pdf.

⁹ *See* Committee, 2013 October Quarterly Report, <http://docquery.fec.gov/pdf/633/13941680633/13941680633.pdf#navpanes=0>; Committee, 2013 Year-End Report, <http://docquery.fec.gov/pdf/246/14960886246/14960886246.pdf#navpanes=0>; Committee, 2014 July Quarterly Report, <http://docquery.fec.gov/pdf/602/14952617602/14952617602.pdf#navpanes=0>.

¹⁰ The Complaint only questions the two \$1 million loans, presumably because Demos made the two \$250,000 loans after the Complaint's filing.

¹¹ Compl. at 1-2.

¹² *See id.*

1 \$1,564,800 in non-federal receipts "exempt from limits" (*i.e.*, soft money).¹³ He is also the
2 registered agent for AKT, a California corporation.¹⁴

3 The Complaint primarily relies on a description of a meeting between the Complainant
4 and Demos that took place on December 14, 2013, during which Demos allegedly stated that
5 (1) he was "bringing a substantial sum of money to his campaign through his father-in-law;"
6 (2) Tsakopoulos "had committed to give him a total of \$2,000,000 to wage a primary election for
7 the Congressional seat and that he would show that money in his FEC report;" and (3) his father
8 in-law would give additional money for the general election.¹⁵ The Complainant, who is the
9 Chairman of the Brookhaven Town Republican Committee, states that he attended the meeting
10 along with Betty Manzella, his Vice Chair, and he personally heard Demos make these
11 statements.¹⁶ The Complaint also relies on Demos's purported lack of income; it alleges that
12 Demos was unemployed when he became a candidate, and his last full-time employment was as
13 an attorney for the SEC in 2009.¹⁷ The Complaint also cites to a number of news articles
14 reporting that Demos's father-in-law was the actual source of the \$2,000,000.¹⁸ One of those

¹³ See FEC, Individual Contributor Search Form, <http://www.fec.gov/finance/disclosure/norindsea.shtml>. An additional \$7,000 in contributions to political committees also appears in the Commission database under an alternate spelling of his last name.

¹⁴ See *Business Entity Detail: AKT Development Corporation*, CALIFORNIA SECRETARY OF STATE, <http://kepler.sos.ca.gov/>. The Complaint implies AKT was involved because Demos mailed the Committee's Statement of Organization from AKT's business offices in California. See Compl. at 1; Committee Statement of Organization, <http://docquery.fec.gov/pdf/504/13031120504/13031120504.pdf> (showing return address on UPS mailing envelope to be the same as AKT's offices).

¹⁵ Compl. at 2.

¹⁶ *Id.*

¹⁷ *Id.* at 1.

¹⁸ *Id.* at 2 and Attach.

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In his Response, Tsakopoulos denies the allegations, indicating that the Complaint was not based on personal knowledge.²⁰ Tsakopoulos also submitted a declaration stating that he contributed \$2,600 to the Committee for both the primary and general elections and denying that he gave additional funds to Demos's campaign.²¹ The declaration states that "I made no additional contributions to Friends of George Demos, nor did I make a gift, loan or donation to George Demos personally for the purpose of supporting the Demos campaign."²² Neither the Response nor the declaration state whether Tsakopoulos gave his daughter money during the campaign period.

B. Legal Analysis

In 2014, the Act prohibited persons from making contributions to any candidate and his or her authorized political committee with respect to any election for federal office which, in the aggregate, exceeded \$2,600.²³ The term “contribution” includes “any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office.”²⁴ Corporations are prohibited from making a contribution in connection with any federal election.²⁵

19 *Id.* at Attach.

20 Resp. at 2.

²¹ Tsakopoulos Decl. ¶¶ 2-3.

22 *Id.* ¶ 3.

²³ 52 U.S.C. § 30116(a)(1)(A); see 11 C.F.R. §§ 110.1(b)(1)(i), 110.17(b).

²⁴ *Id.* § 30101(8)(A)(i).

²⁵ *Id.* § 30118 (formerly 2 U.S.C. § 441b(a)).

1 All contributions made by persons other than political committees must be reported in
2 accordance with 52 U.S.C. § 30104(b)(2)(A) (formerly 2 U.S.C. § 434(b)(2)(A)). Political
3 committees must report the identification of each person who makes a contribution or
4 contributions with an aggregate value in excess of \$200 during the reporting period, together
5 with the date and amount.²⁶

6 Federal candidates may make unlimited contributions from their "personal funds" to their
7 campaigns.²⁷ "Personal funds" of a candidate means the sum of all of the following: (a) assets;
8 (b) income; and (c) jointly owned assets.²⁸ A candidate's assets are amounts derived from any
9 asset that, under applicable state law, at the time the individual became a candidate, the candidate
10 had legal right of access to or control over, and with respect to which the candidate had legal and
11 rightful title or an equitable interest.²⁹ A candidate's jointly owned assets are amounts derived
12 from a portion of assets that are owned jointly by the candidate and the candidate's spouse as
13 follows: the portion of assets that is equal to the candidate's share of the asset under the
14 instrument of ownership or conveyance; or if no specific share is indicated by an instrument of
15 ownership or conveyance, the value of one-half of the property.³⁰

²⁶ *Id.* § 30104(b)(3)(A) (formerly 2 U.S.C. § 434(b)(3)(A)).

²⁷ 11 C.F.R. § 110.10.

²⁸ *Id.* § 100.33. A candidate's income consists of income received during the current election cycle, of the candidate, including: salary and other earned income that the candidate earns from bona fide employment; income from the candidate's stocks or other investments including interest, dividends, or proceeds from the sale or liquidation of such stocks or investments; bequests to the candidate; income from trusts established before the beginning of the election cycle; income from trusts established by bequest after the beginning of the election cycle of which the candidate is the beneficiary; gifts of a personal nature that had been customarily received by the candidate prior to the beginning of the election cycle; and proceeds from lotteries and similar games of chance. *Id.* § 100.33(b).

²⁹ *Id.* § 100.33(a).

³⁰ *Id.* § 100.33(c).

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1 Although federal candidates may contribute unlimited personal funds to their campaigns,
2 their family members are subject to the Act's contribution limits.³¹ The Commission has
3 enforced the contribution limit against family members who made excessive contributions to the
4 candidate's campaign in the form of asset transfers to the candidate.³²

5 The facts in the sworn Complaint support finding reason to believe that the money
6 Demos loaned his Committee did not come from his personal funds, but rather were excessive
7 contributions by Tsakopoulos. Complainant gives a specific account, under penalty of perjury,
8 of a meeting he personally attended at which Demos purportedly acknowledged that his father-
9 in-law was providing him with \$2 million for his campaign.³³ If this account is true, then it
10 would appear that the funds Demos loaned to his campaign did not qualify as his personal funds
11 under 11 C.F.R. § 100.33 because the funds were not gifts from Tsakopoulos customarily given.
12 Instead, it appears that the funds were excessive contributions to Demos to be used in his
13 campaign. Demos's response challenges Complainant's recollection of the December 2013
14 meeting, but does not present an alternate version of events.

15 Further, the sworn declaration submitted by Tsakopoulos generally denying that
16 Tsakopoulos gave Demos or the Committee more than \$5,200 is not dispositive. Tsakopoulos
17 stated that he did not make a "gift, loan, or donation to *George Demos personally* for the purpose

³¹ The United States Supreme Court has upheld the constitutionality of the Act's contribution limits as applied to members of a candidate's family. *See Buckley v. Valeo*, 424 U.S. 1, 53 n.59 ("Although the risk of improper influence is somewhat diminished in the case of large contributions from immediate family members, we cannot say that the danger is sufficiently reduced to bar Congress from subjecting family members to the same limitations as nonfamily members.").

³² *See, e.g.*, MUR 6417 (Huffman) (finding reason to believe a candidate and his spouse violated 52 U.S.C. § 30116(a) and (f) by transferring \$900,000 from the spouse's separately-held trust account to the couple's joint account to be loaned to the candidate's campaign and transferring \$400,000 from the spouse's separately-held trust account directly to the candidate's campaign); MUR 5334 (O'Grady) (finding reason to believe a candidate and her spouse violated 52 U.S.C. § 30116(a) and (f) by making and accepting a \$25,000 loan from the spouse's separate business account).

³³ Compl. at 2.

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1 of supporting the Demos campaign."³⁴ This declaration, however, does not rule out another
2 possible scenario: that Tsakopoulos gave his daughter money to be used for her husband's
3 campaign. Similarly, Demos's general statements quoted in the media that the money belonged
4 either to him, or to him and his wife, do not persuasively rebut the Complaint's allegations.³⁵
5 And we do not have any information concerning any pattern of gift-giving at this stage.³⁶

6 Demos's Financial Disclosure Statements for the 2014 election cycle also do not resolve
7 the material issues. The statements disclose no employment or earned income for Demos. They
8 do show two joint bank accounts from which Demos could have funded the loans. Each account
9 had a value between \$1,000,001 and \$5,000,000, of which Demos's portion could have been
10 sufficient to fund the \$2.5 million in loans that he made to his campaign.³⁷ However, the
11 Complainant has sworn under penalty of perjury that Demos told him Tsakopoulos would give
12 him at least \$2 million to fund his campaign. The remaining significant assets disclosed on
13 Demos's financial disclosure statements appear to be stocks and investments his wife owned
14 individually.

15 In summary, the Complainant's sworn statement that Demos told him that Demos would
16 receive \$2 million through his father-in-law for his campaign and the careful wording of

³⁴ Demos Decl. ¶ 6; Tsakopoulos Decl. ¶ 3 (emphasis added).

³⁵ See Compl., Attach. The Commission has found no reason to believe concerning allegations that a candidate lacked sufficient personal funds to make loans to his or her campaign committee where there was information, such as in the form of affidavits or financial documentation, demonstrating that the candidate had access to sufficient personal funds to make the loans at issue. See e.g., MUR 6523 (Wilford R. Cardon, *et al.*), MUR 6412 (Blumenthal for Senate), MUR 6388 (Mattie Fein for Congress), MUR 6341 (Adams for Congress).

³⁶ In cases involving gifts from family members, the Commission has examined whether the money was given as part of an established pattern of gift-giving, or whether the gift was made for the purpose of influencing an election. See, e.g., MUR 6417 (Jim Huffman for Senate), MUR 5724 (Jim Feldkamp for Congress), and MUR 5571 (Tananoka for Congress). Here, there is no available information at this stage to determine whether Tsakopoulos gave his daughter any gifts during the 2014 election cycle or whether there was an established pattern of gift-giving between Tsakopoulos and his daughter.

³⁷ 11 C.F.R. § 100.33(c).

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1 Respondent's sworn declaration support a reason-to-believe finding that the money Demos
2 loaned his campaign may not have come from his personal funds, but instead were funds that he
3 received from his father-in-law, Angelo Tsakopoulos.

4 Accordingly, the Commission finds reason to believe that Angelo Tsakopoulos violated
5 52 U.S.C. § 30116(a)(1)(A) (formerly 2 U.S.C. § 441a(a)(1)(A)).

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1 **FEDERAL ELECTION COMMISSION**

2 **FACTUAL AND LEGAL ANALYSIS**

3
4 RESPONDENT: Chrysanthy T. Demos MUR 6848
5
6

7 **I. INTRODUCTION**
8

9 This matter was generated by a complaint filed with the Federal Election Commission
10 (the "Commission"), concerning allegations that former congressional candidate George Demos
11 lacked sufficient personal assets to fund \$2.5 million in loans he made to his campaign.¹ The
12 Commission previously found reason to believe that George Demos violated 52 U.S.C.
13 § 30116(f). The Commission's investigation indicates that Demos did not have the personal
14 funds necessary to make \$2.5 million in loans to his campaign and instead used funds belonging
15 to his wife, Chrysanthy T. Demos. Accordingly, the Commission found reason to believe that
16 Chrysanthy T. Demos violated 52 U.S.C. § 30116(a)(1)(A).

17 **II. FACTUAL BACKGROUND**

18 Evidence obtained during the Commission's investigation reveals that Chrysanthy Demos
19 provided the funds that Demos used to lend to his campaign. The investigation also confirmed
20 that Demos did not have access to personal funds independent of Chrysanthy Demos sufficient to
21 allow him to fund the loans. Instead, the facts show that Chrysanthy Demos provided Demos
22 with access to the funds that were used to fund the loans to the campaign just weeks before
23 Demos filed his statement of candidacy, indicating that the funds were provided for the purpose
24 of influencing Demos's election.

¹ See 52 U.S.C. § 30109(a)(1).

1 Although in statements to others, Demos referred to "family money" as the source of the
2 loans to his campaign, the bank records reveal that the funds he used for the loans were derived
3 from a bank account held solely by his wife. In a sworn declaration, Chrysanthy Demos states
4 that the funds used for her husband's campaign loans "came from assets that were in our joint
5 account prior to him becoming a candidate," and that "none [were] derived from a contribution,
6 gift, or loan from [her] father" or from AKT "during the period of [her] husband's candidacy in
7 2013 and 2014."² Demos states that all of the money he loaned the Committee "came from
8 assets [he] owned with [his] wife before declaring [himself] a candidate."³ Bank records indicate
9 that Demos did not have sufficient personal assets on his own to loan his campaign \$2.5 million;
10 instead, the candidate loans were derived from a transfer that Ms. Demos made into the couple's
11 joint bank account just before he became a candidate.⁴

12 Demos was a candidate for Congress during the 2012 election cycle, but withdrew from
13 the primary election in May 2012, the month before his marriage to Ms. Demos.⁵ It appears that
14 before August 2013, the Demoses managed their finances using separate bank accounts. They
15 opened the joint account on August 27, 2013, just 10 days before the Commission approved the

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² Chrysanthy Demos Decl. ¶ 2.

³ George Demos Decl. ¶ 4.

⁴ Demos provided this Office with bank statements for a joint account he held with his spouse, as well as statements for his individually held accounts covering the time period from June 2013 through July 2014. See Ltr. from Robert Lenhard at 1-2 (Nov. 21, 2016).

⁵ The available information indicates that Demos withdrew from the 2012 Congressional campaign on May 25, 2012, citing his impending marriage to Chrysanthy Tsakopoulos in June. See Ltr. from Robert Lenhard at 2 (Mar. 24, 2017); Celeste Katz, *Wedding Imminent, George Demos Nixes NY-1 Bid*, NY DAILY NEWS, May 25, 2012, (reprinting text of e-mail Demos sent out announcing his withdrawal from the race), <http://www.nydailynews.com/blogs/dailypolitics/wedding-imminent-george-demos-nixes-ny-1-bid-blog-entry-1.1690577>.

1 termination of Demos's 2012 principal campaign committee and 29 days before Demos filed a
2 statement of candidacy for the 2014 election.⁶ Respondents explain that the Demoses decided to
3 open the joint account in August 2013, about a month after their first child was born.⁷

4 During the 2014 election cycle, Mr. and Ms. Demos held the joint bank account with
5 Citibank, and Demos had individual accounts with Citibank and HSBC Bank.⁸ There was little
6 activity in Demos's personal accounts, and with one brief exception, the total balances in all of
7 his accounts never exceeded \$31,000 during the 2014 election cycle.⁹ According to his House
8 Financial Disclosure Reports covering the same time period, Demos was not employed and did

⁶ See George Demos for Congress 2012, Termination Rpt. (Sept. 1, 2013); Termination Approval Ltr. (Sept. 6, 2013); George Demos, Statement of Candidacy (Sept. 25, 2013); Friends of George Demos, Statement of Organization (Sept. 25, 2013).

⁷ See Ltr. from Robert Lenhard at 2 (Mar. 24, 2017).

⁸ Demos's House disclosure statements erroneously disclosed a second joint bank account with HSBC Bank, and he declared that it had a balance ranging from \$1 million to \$5 million. During our investigation, however, Respondents identified only one joint banking account with Citibank. See George Demos, 2013 Financial Disclosure Statement (Dec. 2, 2013), http://clerk.house.gov/public_disc/financialpdfs/2013/8213601.pdf; George Demos, 2014 Financial Disclosure Statement (July 11, 2014), http://clerk.house.gov/public_disc/financial-pdfs/2014/8216007.pdf. The HSBC Bank account was not a joint account, and it only held a balance ranging between \$1,001 and \$15,000. See E-mail from Robert Lenhard (May 22, 2017, 11:21 AM EST) (stating that financial disclosure forms erroneously reported status of HSBC account as a joint account); E-mail from Robert Lenhard attaching Letter to Clerk of the House dated May 30, 2017 (June 1, 2017, 7:57 PM EST). Additionally, contrary to Demos's 2014 Financial Disclosure Statement, the Citibank joint account had a value ranging from only \$500,001 to \$1,000,000 during 2014, and not from \$1 million to \$5 million. On May 30, 2017, Demos submitted a letter amendment to the House Clerk identifying the "inadvertent errors in the value ranges" and provided a corrected declaration but did not explicitly state that the amendment also included a correction to the ownership information for the HSBC account. E-mail from Robert Lenhard attaching Letter to Clerk of the House dated May 30, 2017 (June 1, 2017, 7:57 PM EST).

⁹ The aggregate balance from Demos's HSBC accounts was just under \$2,300 every month for that time period. See Ltr. from Robert Lenhard (May 19, 2017) at Attach. (HSBC records), MUR6848-00140-00160. His individual accounts held with Citibank carried an aggregate balance ranging from \$16,304 to \$28,240, with the exception of two months in the fall of 2013 when Demos transferred \$1 million from the joint account into his individually held money market account. *Id.* at Attach (Citibank Records), MUR6848-00088-00137.

1 not earn a salary.¹⁰ The joint Citibank account held the vast majority of the funds available to
2 Demos, and Demos acknowledges that he funded the entire \$2.5 million in loans to his campaign
3 using funds from that account.¹¹

4 Between August 27 and September 5, 2013, the Demoses made deposits into the joint
5 account of \$1,000; \$1,616.04; \$8,000; and \$20,000.¹² Then, on September 6 — the same day the
6 2012 committee terminated — Ms. Demos transferred \$3 million from her individually held
7 investment account with Bank of the West into the joint account.¹³ After that, Ms. Demos made
8 recurring monthly \$20,000 deposits into the joint account using funds from her investment
9 account.¹⁴ In total, between August 27, 2013, and July 1, 2014,¹⁵ \$3,217,112.24 was deposited

¹⁰ See George Demos, 2013 Financial Disclosure Statement (Dec. 2, 2013), http://clerk.house.gov/public_disc/financialpdfs/2013/8213601.pdf; George Demos, 2014 Financial Disclosure Statement (July 11, 2014), http://clerk.house.gov/public_disc/financialpdfs/2014/8216007.pdf. The candidate also listed no salary for 2012 and a salary of \$99,712 for 2011 in an earlier financial disclosure report. See George Demos, 2012 Financial Disclosure Statement (Oct. 25, 2012), http://clerk.house.gov/public_disc/financialpdfs/2012/8209315.pdf.

¹¹ Ltr. from Robert Lenhard, at 2 and Attach. (Citibank Records) (Nov. 21, 2016); Ltr. from Robert Lenhard at 1-2 (Mar. 24, 2017).

¹² Citibank Records at MUR6848-00001 – 00002.

¹³ See Ltr. from Robert Lenhard at 2 and Citibank Records at MUR6848 – 00001 (Nov. 21, 2016). Nineteen days after his spouse had transferred the \$3 million into the joint account, Demos filed his Statement of Candidacy for the 2014 election cycle, and the Friends of George Demos filed a Statement of Organization. See Statement of Candidacy (Sept. 25, 2013) and Statement of Organization (Sept. 25, 2013).

¹⁴ See Ltr. from Robert Lenhard at 2 and Citibank Records at MUR6848-0002 – MUR6848-00033 (Nov. 21, 2016); Ltr. from Robert Lenhard at 2 (Mar. 24, 2017). From August 2013 through July 1, 2014, those recurring deposits totaled \$180,000. Bank records indicate that smaller amounts were deposited into the joint account, but on an irregular basis. Those smaller deposits totaled \$39,228.38. See E-mail from Derek Lawlor (Mar. 29, 2017, 5:29 PM EST), Attach. (Citibank Records) at MUR6848-00062 – MUR6848-00076.

¹⁵ We included July 2014 in our review of Demos's financial records even though the last candidate loan was issued on June 23, 2014, because the last loan check did not post to the joint bank account until July 1, 2014.

1 into that account, including the \$3 million transfer.¹⁶ It appears that Ms. Demos made almost all
2 of those deposits from her individually held funds.¹⁷

3 Demos states that he and his wife "treated the funds placed into the joint account,
4 including the \$3 million transfer, as assets available for individual or joint expenses."¹⁸ The
5 facts, however, reveal that the vast majority of the funds Ms. Demos deposited in the joint
6 account from its opening in late August 2013 to July 2014, the month after Demos lost the
7 primary election, were used to benefit Demos's campaign in the form of loans to the Committee,
8 as shown in the chart below.¹⁹

Date of Loan to Committee	Amount of Loan
9/27/13	\$1,000,000
12/30/13	\$1,000,000
6/23/14	\$250,000
6/23/14	\$250,000

¹⁶ This amount includes earned interest but excludes the \$1 million transfer that Demos transferred back and forth between the joint bank account and his individual money market account. *See infra* at p. 5, note 19.

¹⁷ The Respondents acknowledge that Ms. Demos used funds from her account with Bank of the West to fund the \$3 million transfer and to make the \$20,000 monthly deposits into the joint account. *See* Ltr. from Robert Lenhard at 2 (Nov. 21, 2016); Ltr. from Robert Lenhard at 2 (Mar. 24, 2017). They do not specify, however, the source of the funds used for the other smaller deposits made into the account. Because those deposits appear to have been made through ATMs or at bank branch locations, and not through wire transfers, the bank statements also do not reveal the source of those smaller deposits.

¹⁸ *See* Ltr. from Robert Lenhard at 3 (Mar. 24, 2017).

¹⁹ Demos also transferred \$1 million from the joint account to his individual money market account on November 5, 2013, and transferred it back into the joint account on December 30, 2013. *See* Ltr. from Robert Lenhard at 2 and Attach. (Citibank Records) MUR6848-00010, 00020 (Nov. 21, 2016) (explaining that the transfer was an attempt to maximize earnings at a higher interest rate).

1 The remaining expenditures from the joint account were smaller withdrawals or debits ranging
2 from a few dollars to \$39,000 for personal and family expenses.²⁰

3 **III. LEGAL ANALYSIS**

4 No person, including a candidate's family members, shall make contributions to any
5 candidate or authorized committee with respect to any election which, in the aggregate, exceed
6 the Act's contribution limit, which was \$2,600 during the 2014 election cycle.²¹ Moreover, no
7 candidate or political committee shall "knowingly accept" a contribution that exceeds the
8 applicable contribution limit.²² The term "contribution" includes "any gift, subscription, loan
9 advance or deposit of money or anything of value made by any person for the purpose of
10 influencing any election for Federal office."²³

11 Federal candidates, however, may make unlimited contributions from their own "personal
12 funds" to their authorized campaign committees.²⁴ The Act and Commission regulations provide
13 that "personal funds" are (a) amounts derived from any asset that, under applicable State law, at
14 the time the individual became a candidate, the candidate had legal right of access to or control
15 over, and with respect to which the candidate had legal and rightful title or an equitable interest;

²⁰ *Id.* at 2 (stating that joint account was used for "shared income and expenses before and after Mr. Demos became a candidate"). Many expenses paid from the joint account were for amounts under \$100, and only four exceeded \$10,000.

²¹ 52 U.S.C. § 30116(a)(1)(A); Contribution Limits for 2013-2014, <https://www.fec.gov/updates/contribution-limits-2013-2014/>. See *Buckley v. Valeo*, 424 U.S. 1, 51 n.57, 53 n.59 (upholding the constitutionality of contribution limits as to family members, reasoning that, "[a]lthough the risk of improper influence is somewhat diminished in the case of large contributions from immediate family members, we cannot say that the danger is sufficiently reduced to bar Congress from subjecting family members to the same limitations as nonfamily contributors").

²² 52 U.S.C. § 30116(a)(f).

²³ 52 U.S.C. § 30101(8)(A)(i).

²⁴ 11 C.F.R. § 110.10.

1 and (b) income received during the current election cycle of the candidate, including a salary and
2 other earned income from bona fide employment; dividends and proceeds from the sale of the
3 candidate's stocks or other investments; gifts of a personal nature that had been customarily
4 received by the candidate prior to the beginning of the election cycle.²⁵

5 When a candidate uses "personal funds" derived from assets that are jointly owned with
6 his spouse, the amount is limited to "the candidate's share of the asset under the instrument of
7 conveyance or ownership;" "if the instrument is silent, the Commission will presume that the
8 candidate holds a one-half ownership interest."²⁶

9 In some past matters, the Commission has determined that joint bank accounts are not
10 subject to the one-half ownership presumption at 52 U.S.C. § 30101(26)(C) and the candidate
11 may utilize the entire amount as "personal funds" because each account holder of the joint bank
12 account had access and control over the whole account under the applicable state law.²⁷
13 Similarly, in some past audits, the Commission has determined what portion of a joint account
14 constitutes the personal funds of the candidate by considering whether "state law gives each party

²⁵ 52 U.S.C. § 30101(26); 11 C.F.R. § 100.33(a), (b).

²⁶ 52 U.S.C. § 30101(26)(C); 11 C.F.R. § 100.33(c).

²⁷ See, e.g., MURs 2754 (Lowey) 2292 (Stein) and 3505 (Klink); OGC Comments on Bauer for President 2000, Inc. – Proposed Audit Report (LRA #543), May 6, 2002, at 6 (discussing history of joint bank account exception to the one-half ownership presumption).

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1 access to and control over the whole.”²⁸ The Commission, however, has not always been
2 consistent in how it determines how much of the funds in a joint account are the personal funds
3 of the candidate.²⁹ And, in more recent enforcement matters, the Office of General Counsel has
4 recommended that the Commission conclude that the candidate’s personal funds would not
5 include funds a spouse transferred from individually held assets into a joint account for the
6 purpose of financing the candidate’s own contributions to a campaign.³⁰ In MUR 6417
7 (Huffman), the Commission concluded that the entire transfer from the spouse to the joint
8 account shared with the candidate was an excessive contribution, but split on the same issue in
9 MUR 6860 (Terri Lynn Land).³¹

²⁸ See, e.g., OGC Addendum to Legal Analysis to Proposed Interim Audit Report on Friends for Menor (LRA 732) – Contributions from Personal Funds in Jointly Held Bank Accounts at 2 (July 2, 2008). Here, New York law governs joint accounts and states that the assets held in a joint account are treated as a joint tenancy in which an individual’s deposit is a gift of one-half interest in the deposited funds to the other account holder. See N.Y. Banking Law § 675 (stating that deposits “shall become the property of such persons as joint tenants”). However, despite this rebuttable presumption that the funds belong to both account holders, and that the parties are “entitled to equal shares,” in ruling on disputes between account holders, New York courts have considered, among other factors, the source of the funds in the joint account. See N.Y. Banking Law § 675(b); see, e.g., *Phillips v. Phillips*, 70 A.D.2d 30, 38 (1979) (finding the one-half interest rule was rebutted and held that one spouse was not entitled to any of the funds in the joint account where only one of the spouses had contributed money to the account).

²⁹ See, e.g., MURs 4830, 4850 (Udall)(concluding candidate used only his half of assets in a margin account shared with his spouse to make loans to his campaign); MUR 4910R (Rush Holt)(taking no further action as to alleged excessive contribution by candidate’s spouse due to the small dollar amount and the “unsettled” state of law regarding treatment of assets in joint bank account); see also Advisory Op. 1991-10 (Guernsey Committee) (Commission found candidate was entitled to use up to one-half of funds in jointly held investment account for campaign without examining instrument of conveyance or ownership).

³⁰ See First Gen. Counsel’s Rpt. at 6-7, MUR 6417 (Huffman for Senate) (describing that transfers from the spouse were made 12 days after Huffman became a candidate and consisted of funds from spouse’s individually held account to which she had sole access); First Gen. Counsel’s Report at 9-11, MUR 6860 (Terry Lynn Land) (explaining that joint account funds used for the campaign consisted primarily of the spouse’s income and only a small portion was derived from the candidate’s own income).

³¹ See Factual and Legal Analysis at 3-4, MUR 6417 (Huffman for Senate); Amended Certification ¶ 1-3 (Aug. 10, 2011), MUR 6417; First Gen. Counsel’s Report at 9-11, MUR 6860 (Terry Lynn Land); Certification ¶ 1 (June 17, 2016), MUR 6860.

1 In this matter, the documentation obtained during the investigation shows that Demos
2 funded the loans to his campaign with money that originated from his wife's individually held
3 account that she transferred to their joint bank account shortly before he declared his candidacy.
4 At issue is whether Ms. Demos should be deemed to have made a contribution to the Committee
5 in connection with the loans. We conclude that the entire \$2.5 million in loans used to fund
6 Demos's campaign resulted in an excessive contribution from Ms. Demos.

7 Demos argues that all of the money in the joint account was available for his campaign
8 because it was in the joint account before he became a candidate, citing Commission precedent
9 excepting joint bank accounts from the half-interest rule applicable to other jointly held assets
10 under the personal funds definition.³² But the facts here support a finding that the transfer
11 constituted an excessive contribution. Unlike MUR 6860 (Land), where there was a lengthy
12 history of the family's mixing of funds in their joint accounts, the Demoses have no such history.
13 The bank records show that Ms. Demos provided the vast majority, if not all, of the funds in the
14 joint account: the \$3 million transfer and the \$20,000 monthly deposits all originated from an
15 account over which Ms. Demos had sole access.³³ And, as stated above, the majority of the
16 payments (*i.e.*, \$2.5 million from \$3,217,112.24 in total deposits) from the joint account funded
17 Demos's campaign and were not used to pay family expenses.

18 Additionally, the chronology of events — the opening of a joint bank account just days
19 before Demos's 2012 committee terminated, Ms. Demos's \$3 million transfer to the joint account

³² See Ltr. from Robert Lenhard at 4 (Mar. 24, 2017). The Commission also previously considered a possible joint bank account exception but did not adopt any changes to the regulation.

³³ *Supra* at pp. 4-5. Demos did not have any sources of income during this period and there is no indication that he used the limited funds in his individually held accounts to fund any of the transfers to the joint account.

1 just after that termination, and Demos's new declaration of candidacy for the 2014 election just
2 weeks later — combined with Demos's statements that he would have sufficient funds for a
3 campaign, indicates Ms. Demos transferred the funds to influence her husband's election. This
4 transfer gave Demos access to money that would not otherwise qualify as "personal funds."
5 Under these circumstances, the fact that the disbursements themselves originated from a joint
6 bank account is not dispositive.³⁴ Demos's argument for an exception fails in light of persuasive
7 evidence that Chrysanthy Demos transferred the \$3 million specifically for the purpose of funding
8 his campaign.

9 Because Chrysanthy Demos made no other contribution to the Committee, she was entitled
10 to contribute \$2,600 to her husband's primary election campaign. Subtracting \$2,600 from her
11 funds lent to Demos and the Committee (\$2.5 million) results in an excessive contribution by
12 Ms. Demos of \$2,497,400. Therefore, there is reason to believe that Chrysanthy Demos violated
13 52 U.S.C. § 30116(a)(1)(A).

³⁴ Although Demos had access to all of the funds in the joint account at the time he became a candidate, he may not have held a legal right to the entire amount in the account under New York law. *Supra* at note 28. Furthermore, even if the Commission concluded that Demos held an interest in half of the joint account, the loans would still have resulted in an excessive contribution from Mrs. Demos.

1 **FEDERAL ELECTION COMMISSION**

2 **FACTUAL AND LEGAL ANALYSIS**

3 RESPONDENT: AKT Development Corporation MUR 6848
4
5

6 **I. INTRODUCTION**
7

8 This matter was generated by a complaint filed with the Federal Election Commission
9 (the "Commission"), concerning allegations that former congressional candidate George Demos
10 lacked sufficient personal assets to fund \$2.5 million in loans he made to his campaign.¹ The
11 Complaint alleged that Demos obtained the funds for the loans from his father-in-law, Angelo
12 Tsakopoulos; this allegation was based on a meeting between the Complainant Jesus A. Garcia,
13 Chairman of the Brookhaven Republican Party, Vice Chair Betty Manzella, and Demos on
14 December 12, 2013.² The Complaint also speculated that because Demos's Statement of
15 Candidacy was mailed from Tsakopoulos's company, AKT Development Corporation ("AKT"),
16 AKT could have also played a role in funding the loans, which would constitute a prohibited
17 corporate contribution.³ The Commission has determined that Demos used funds belonging to
18 his wife, Chrysanthi T. Demos, to make \$2.5 million in loans to his campaign. Accordingly, the
19 Commission found no reason to believe that AKT violated 52 U.S.C. § 30118.
20

¹ See 52 U.S.C. § 30109(a)(1). Demos made four loans to his campaign during the 2014 election cycle: a \$1,000,000 loan made on September 27, 2013, a \$1,000,000 loan made on December 30, 2013, and two \$250,000 loans on June 23, 2014. See 2013 October Quarterly Rpt. (Oct. 3, 2013), 2013 Year-End Rpt. (Jan. 31, 2014), and 2014 July Quarterly Rpt. (July 15, 2014).

² Compl. at 2.

³ *Id.* at 1. AKT was listed as the return address on the envelope used to mail the Statement of Candidacy to the Commission. See Statement of Candidacy (Sept. 25, 2013), available at https://www.fec.gov/data/candidate/H0NY01137/?election_full=True&cycle=2014&tab=about-candidate.

1 **II. FACTUAL AND LEGAL ANALYSIS**

2 Corporations are prohibited from making a contribution in connection with any federal
3 election.⁴ The term “contribution” includes “any gift, subscription, loan advance or deposit of
4 money or anything of value made by any person for the purpose of influencing any election for
5 Federal office.”⁵

6 Tsakopoulos is a real estate developer in California and is the registered agent for AKT, a
7 California corporation.⁶ As a corporation, AKT is prohibited from making a contribution in
8 connection with any federal election. The Complaint had alleged that the funds that Demos used
9 to loan money to his campaign may have come from his father-in-law and his father-in-law’s
10 company, AKT, a corporation in California. Tsakopoulos denied providing any additional funds
11 for the purpose of supporting Demos’s campaign beyond the \$5,200 he contributed to the
12 Committee for the primary and general elections.⁷ Instead, the available information indicates
13 that Chrysanthy Demos provided the funds that Demos used to lend to his campaign, not
14 Tsakopoulos or AKT. Mr. Tsakopoulos has further stated in a sworn declaration that neither he
15 nor his company gave Ms. Demos those funds.⁸ Therefore, there is no reason to believe that
16 AKT violated 52 U.S.C. § 30118.

⁴ 52 U.S.C. § 30118.

⁵ 52 U.S.C. § 30101(8)(A)(i).

⁶ See *Business Entity Detail: AKT Development Corporation*, CALIFORNIA SECRETARY OF STATE,
<http://kepler.sos.ca.gov/>.

⁷ Angelo Tsakopoulos Decl. ¶¶ 2-3 (Aug. 25, 2014).

⁸ Angelo Tsakopoulos Second Decl. ¶ 5 (Sept. 5, 2016).